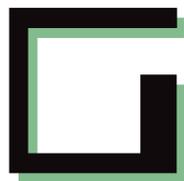


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GENES TECH GROUP HOLDINGS COMPANY LIMITED

靖洋集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8257)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors of Genes Tech Group Holdings Company Limited (the “**Company**”), together with its subsidiaries, (the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

		Three months ended		Six months ended	
		30 June		30 June	
		2023	2022	2023	2022
	Notes	NTD'000	NTD'000	NTD'000	NTD'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	6	429,590	359,929	749,511	596,617
Cost of sales	7	(316,678)	(241,230)	(539,902)	(401,793)
Gross profit		112,912	118,699	209,609	194,824
Other income		154	–	154	2
Other (losses)/gains, net		(488)	4,623	(7,304)	8,585
Selling and distribution expenses	7	(11,931)	(14,413)	(28,298)	(26,644)
General and administrative expenses	7	(32,832)	(34,605)	(62,643)	(66,868)
		67,815	74,304	111,518	109,899
Finance income		463	64	539	82
Finance costs		(5,099)	(3,532)	(10,058)	(6,490)
Profit before income tax		63,179	70,836	101,999	103,491
Income tax expense	8	(15,485)	(21,078)	(25,410)	(30,058)
Profit for the period attributable to owners of the Company		47,694	49,758	76,589	73,433
Other comprehensive loss, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
— Exchange differences		(1,691)	(2,535)	(251)	(3,367)
Total comprehensive income for the period attributable to owners of the Company		46,003	47,223	76,338	70,066
Earnings per share					
— Basic and diluted (NTD cents)	9	4.77	4.97	7.66	7.34

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
FINANCIAL POSITION**

As at 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>NTD'000</i> (unaudited)	<i>NTD'000</i> (audited)
Assets			
Non-current assets			
Property, plant and equipment	<i>10</i>	301,371	307,823
Right-of-use assets		25,236	31,124
Intangible assets	<i>10</i>	94,883	97,643
Deferred income tax assets		67,549	66,602
Deposits		8,497	8,878
		<u>497,536</u>	<u>512,070</u>
Current assets			
Inventories		1,185,421	1,321,367
Trade receivables	<i>11</i>	224,655	219,001
Prepayments, deposits and other receivables		246,064	191,207
Cash and cash equivalents		106,143	239,675
		<u>1,762,283</u>	<u>1,971,250</u>
Total assets		<u>2,259,819</u>	<u>2,483,320</u>
Equity			
Share capital	<i>14</i>	38,815	38,815
Reserves		750,032	673,694
		<u>788,847</u>	<u>712,509</u>

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>NTD'000</i> (unaudited)	<i>NTD'000</i> (audited)
Liabilities			
Non-current liabilities			
Bank borrowings	<i>13</i>	178,017	200,361
Lease liabilities		13,439	18,263
		<u>191,456</u>	<u>218,624</u>
Current liabilities			
Trade and other payables	<i>12</i>	295,181	397,828
Contract liabilities		465,742	648,779
Lease liabilities		12,666	13,699
Bank borrowings	<i>13</i>	471,255	450,304
Current income tax liabilities		34,672	41,577
		<u>1,279,516</u>	<u>1,552,187</u>
Total liabilities		<u>1,470,972</u>	<u>1,770,811</u>
Total equity and liabilities		<u>2,259,819</u>	<u>2,483,320</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
CHANGES IN EQUITY**

For the six months ended 30 June 2023

	Share capital <i>NTD'000</i>	Share premium <i>NTD'000</i>	Statutory reserve <i>NTD'000</i>	Other reserve <i>NTD'000</i>	Exchange reserve <i>NTD'000</i>	Retained earnings <i>NTD'000</i>	Total equity <i>NTD'000</i>
As at 1 January 2022 (audited)	38,815	146,571	116,018	182,226	(8,110)	325,690	801,210
Profit for the period	-	-	-	-	-	73,433	73,433
Other comprehensive loss	-	-	-	-	(3,367)	-	(3,367)
Total comprehensive (loss)/ income for the period	-	-	-	-	(3,367)	73,433	70,066
Transfer to statutory reserve	-	-	20,859	-	-	(20,859)	-
As at 30 June 2022 (unaudited)	<u>38,815</u>	<u>146,571</u>	<u>136,877</u>	<u>182,226</u>	<u>(11,477)</u>	<u>378,264</u>	<u>871,276</u>
As at 1 January 2023 (audited)	38,815	146,571	136,877	182,226	(16,375)	224,395	712,509
Profit for the period	-	-	-	-	-	76,589	76,589
Other comprehensive loss	-	-	-	-	(251)	-	(251)
Total comprehensive (loss)/ income for the period	-	-	-	-	(251)	76,589	76,338
Transfer to statutory reserve	-	-	13,896	-	-	(13,896)	-
As at 30 June 2023 (unaudited)	<u>38,815</u>	<u>146,571</u>	<u>150,773</u>	<u>182,226</u>	<u>(16,626)</u>	<u>287,088</u>	<u>788,847</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
CASH FLOWS**

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>NTD'000</i>	<i>NTD'000</i>
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash used in operations	(78,215)	(26,375)
Income tax paid	(33,256)	(32,856)
	<u>(111,471)</u>	<u>(59,231)</u>
Cash flows from investing activities		
Purchase of intangible assets	(3,929)	(1,072)
Interest received	539	82
Purchase of property, plant and equipment	(1,539)	(1,525)
Disposal and scrapping of real property, plant and equipment losses	47	–
	<u>(4,882)</u>	<u>(2,515)</u>
Cash flows from financing activities		
Interest paid	(8,285)	(5,522)
Proceeds from bank borrowings	315,284	174,732
Repayments of bank borrowings	(316,677)	(145,989)
Principal elements of lease payments	(6,956)	(5,933)
Interest elements of lease payments	(269)	(205)
	<u>(16,903)</u>	<u>17,083</u>
Net cash (used in)/generated from financing activities	(16,903)	17,083
Net decrease in cash and cash equivalents	(133,256)	(44,663)
Cash and cash equivalents at beginning of period	239,675	172,957
Effect of foreign exchange rate changes	(276)	(3,368)
Cash and cash equivalents at end of period	106,143	124,926
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	<u>106,143</u>	<u>124,926</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of turnkey solution and trading of used semiconductor manufacturing equipment and parts. Its parent and ultimate holding company is Queenbest Development Limited, a private company incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Mr. Yang Ming-Hsiang (“**Mr. Yang**”).

The Company is a limited liability company incorporated and domiciled in the Cayman Islands. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group’s principal place of business is located at No. 80, Baotai 3rd Road, Zhubei City, Hsinchu County 30244, Taiwan.

The Company is listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated interim financial information are presented in New Taiwan dollars (“**NTD**”) and rounded to the nearest thousand (“**NTD’000**”), unless otherwise stated.

2 BASIS OF PREPARATION

These condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

For those new standards, amendments to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial position.

Taxes on income for the six month periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The preparation of the condensed consolidated interim financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, with the exception of changes in accounting policy as described below.

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2023. The adoption of these new standards and amendments to standards has no material impact on the Group's consolidated results and financial position.

Annual Improvements Project HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Annual Improvements to HKFRSs 2018–2020 Narrow-scope amendments
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 2021
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31 December 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the risk management arrangement and policies since 31 December 2022.

5.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less short-term bank deposits, restricted bank deposits and cash and cash equivalents.

The Group was in a net debt position as at 30 June 2023 and 31 December 2022. The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as at 30 June 2023 is approximately 68.85% (31 December 2022: approximately 57.68%).

5.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade and other receivables, and cash and cash equivalents, and current financial liabilities, including trade and other payables and bank borrowings approximate to their fair values due to their short maturities. The carrying amount of non-current deposits and non-current borrowings approximate to their fair values which are estimated based on the discounted cash flows.

5.4 Offsetting financial assets and financial liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- (a) currently has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group has no financial assets and financial liabilities, which is subject to offsetting, enforceable master netting arrangements and similar agreements.

6 REVENUE AND SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors of the Company (defined as chief operating decision maker) in order to allocate resources and assess performance of the segment. For the current and prior periods, executive directors of the Company regularly review revenue and operating results derived from provision of turnkey solution and trading of used semiconductor manufacturing equipment and parts on an aggregate basis and consider as one single operating segment.

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Provision of turnkey solution	209,330	142,520	373,366	233,727
Trading of used semiconductor manufacturing equipment and parts	220,260	217,409	376,145	362,890
Revenue recognised at a point in time	<u>429,590</u>	<u>359,929</u>	<u>749,511</u>	<u>596,617</u>

The Company is an investment holding company and the principal place of the Group's operation is in Taiwan. The Group regarded Taiwan as its place of domicile. The Group's non-current assets are principally located in Taiwan, being the single geographical region.

The geographical location of customers is based on the location at which the services are provided. The following table provides an analysis of the Group's revenue from external customers.

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Taiwan (place of domicile)	266,896	266,828	492,732	447,104
United States	75,738	24,145	109,754	26,229
PRC	73,390	16,562	106,859	49,146
Singapore	12,398	51,376	38,734	72,424
Japan	592	370	734	685
Germany	576	465	698	688
Korea	–	183	–	225
Other countries	–	–	–	116
	<u>429,590</u>	<u>359,929</u>	<u>749,511</u>	<u>596,617</u>

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Customers				
A	202,688	106,209	351,817	156,713
B	74,498	*	98,312	*
C	57,249	51,060	94,285	107,213
D	*	36,601	*	67,451

* The corresponding customers did not contribute over 10% of total revenue of the Group.

7 EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	NTD'000	NTD'000	NTD'000	NTD'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditors' remuneration				
— Audit services	2,673	2,521	5,307	4,953
Cost of materials used	253,422	173,444	407,244	275,544
Amortisation of intangible assets				
(note (a))	3,072	2,855	6,070	5,890
Depreciation of property, plant and equipment (note (b))	3,384	3,819	6,803	8,431
Depreciation of right-of-use assets	3,602	3,546	7,281	6,375
Research expense	240	497	335	729
Provision for warranty, net	4,275	4,432	8,252	5,810
Commission	1,877	4,836	7,938	9,459
Employee benefit expenses	63,246	64,780	129,764	126,118
Professional fees	2,034	5,992	3,558	8,164
Expense relating to short-term leases	1,129	1,073	2,272	2,089
Delivery charges	2,806	4,425	7,405	7,472
Travelling	5,428	4,478	8,644	8,110
Insurance	6,007	5,740	12,844	11,834
Entertainment	1,545	315	1,916	743
Utilities	1,262	1,088	2,068	1,777
Others	5,439	6,407	13,142	11,807
	361,441	290,248	630,843	495,305

Notes:

- (a) Amortisation of intangible assets is included in “General and administrative expenses”.
- (b) Depreciation of property, plant and equipment is included in “Cost of sales” and “General and administrative expenses” amounting to approximately NTD4,812,000 (six months ended 30 June 2022: NTD5,428,000) and NTD1,991,000 (six months ended 30 June 2022: NTD3,003,000), respectively, for the period.

8 INCOME TAX EXPENSE

Income tax is recognised based on management’s estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 23.6% (30 June 2022: 23.6%).

9 EARNINGS PER SHARE

(a) Basic

The calculations of basic earnings per share are based on the profit for the period attributable to owners of the Company of approximately NTD76,589,000 (six months ended 30 June 2022: approximately NTD73,433,000) and the weighted average of 1,000,000,000 (six months ended 30 June 2022: 1,000,000,000) shares in issue during the period.

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to owners of the Company (NTD’000)	47,694	49,758	76,589	73,433
Weighted average number of ordinary shares in issue (thousands)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (NTD cents per share)	<u>4.77</u>	<u>4.97</u>	<u>7.66</u>	<u>7.34</u>

(b) Diluted

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group acquired at cost, leasehold improvements of approximately NTD471,000 (six months ended 30 June 2022: approximately NTD737,000) and office equipment of approximately NTD798,000 (six months ended 30 June 2022: approximately NTD320,000) but did not incur expenditure regarding construction in progress (six months ended 30 June 2022: approximately NTD12,418,000).

The Group has additions in intangible assets of approximately NTD3,310,000 during the six months ended 30 June 2023 (six months ended 30 June 2022: approximately NTD770,000).

11 TRADE RECEIVABLES

	At 30 June 2023 NTD'000 (unaudited)	At 31 December 2022 NTD'000 (audited)
Trade receivables	235,470	229,816
Less: provision for impairment	<u>(10,815)</u>	<u>(10,815)</u>
	<u>224,655</u>	<u>219,001</u>

The Group normally allows credit period ranging from 30 to 90 days (31 December 2022: 30 to 90 days) to its major customers.

The Group applies the HKFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. The Group assesses on a forward looking basis the expected credit losses associated with its financial asset carried at amortised cost. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

The ageing analysis of trade receivables, based on invoice dates, as at each reporting date, is as follows:

	At 30 June 2023 NTD'000 (unaudited)	At 31 December 2022 NTD'000 (audited)
0–30 days	140,173	138,907
31–90 days	63,137	48,488
91–180 days	18,964	11,876
181–365 days	2,381	16,083
Over 1 year	<u>–</u>	<u>3,647</u>
	<u>224,655</u>	<u>219,001</u>

Trade receivables are related to a number of customers that had a good track record of credit with the Group. Based on past credit history, with the consideration of current and forward looking information, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality.

As at 30 June 2023, no provision of impairment loss has been recognised (31 December 2022: NTD10,815,000 of impairment loss allowance has been provided).

12 TRADE AND OTHER PAYABLES

	At 30 June 2023 <i>NTD'000</i> (unaudited)	At 31 December 2022 <i>NTD'000</i> (audited)
Trade and notes payables (<i>note (a)</i>)	177,133	251,791
Other payables	1,105	1,092
Accruals	89,661	125,062
Provision for warranty	27,282	19,883
	295,181	397,828

(a) Trade and notes payables

The ageing analysis of trade and notes payables, based on invoice dates, as at each reporting date is shown as follows:

	At 30 June 2023 <i>NTD'000</i> (unaudited)	At 31 December 2022 <i>NTD'000</i> (audited)
Current or less than 1 month	94,632	121,936
1 to 3 months	56,096	75,775
More than 3 months to 1 year	18,698	46,440
More than 1 year	7,707	7,640
	177,133	251,791

13 BANK BORROWINGS

	30 June 2023			31 December 2022		
	Current NTD'000 (unaudited)	Non-current NTD'000 (unaudited)	Total NTD'000 (unaudited)	Current NTD'000 (audited)	Non-current NTD'000 (audited)	Total NTD'000 (audited)
<i>Secured</i>						
Bank borrowings (note (a))	262,000	–	262,000	262,000	–	262,000
Long-term bank borrowings (note (b))	10,402	78,017	88,419	10,402	83,218	93,620
Total secured borrowings	272,402	78,017	350,419	272,402	83,218	355,620
<i>Unsecured</i>						
Bank borrowings (note (c))	164,567	–	164,567	143,616	–	143,616
Long-term bank borrowings (note (d))	34,286	100,000	134,286	34,286	117,143	151,429
Total unsecured borrowings	198,853	100,000	298,853	177,902	117,143	295,045
Total borrowings	471,255	178,017	649,272	450,304	200,361	650,665

Notes:

- (a) As at 30 June 2023 the short-term borrowing represent two loans. One loan has a principal amount of NTD175,000,000, and is secured by land and building of the Group (31 December 2022: same). It bears interest at 0.84% above the variable interest rate for one-year post office deposits per annum and repayable on maturity date (31 December 2022: same). The other loan has a principal amount of NTD 87,000,000 and is also secured by land and building of the Group (31 December 2022: same). It bears interest at 0.66% above the bank's variable interest rate for one-year deposits per annum and repayable on maturity date (31 December 2022: same).
- (b) As at 30 June 2023, the long-term borrowings represent two loans with principal amount of NTD25,000,000 and NTD125,000,000, respectively (31 December 2022: same). These borrowings bear interest at 0.74% above the variable interest rate for one-year post office deposits per annum and are repayable in 145 and 180 monthly installments, respectively (31 December 2022: same). These borrowings are secured by land and building of the Group.
- (c) The unsecured bank borrowings are carried at amortised cost. Out of the amount, NTD20,000,000 and NTD56,314,000 bear interest at 1.13% above the bank's interest rate for one-month deposits per annum and at 0.9% to 1.18% above the variable interest rate for one-year post office deposits per annum (31 December 2022: NTD20,000,000 and NTD15,000,000 bear interest at 1.13% above the bank's interest rate for one-month deposits per annum and at 1.18% above the variable interest rate for one-year post office deposits per annum). The remaining borrowings bear interest at rate 0.52% above the bank's foreign currency interest rate per annum as at 30 June 2023 (31 December 2022: 0.6% to 0.9% above the bank's foreign currency interest rate per annum).

- (d) The unsecured borrowings with a principal amount of NTD240,000,000 bear interest at 1.59% above the variable interest rate for one-year post office deposits per annum and is repayable in 84 monthly installments (31 December 2022: same).

The bank interests are charged at rate ranging from 2.25% to 6.279% (31 December 2022: 2.125% to 6.075%) per annum as 30 June 2023.

As at each reporting date, total current and non-current bank borrowings were repayable as follows:

	At 30 June 2023 <i>NTD'000</i> (unaudited)	At 31 December 2022 <i>NTD'000</i> (audited)
Within 1 year	471,255	450,304
More than 1 year, but not exceeding 2 years	44,688	44,688
More than 2 years, but not exceeding 5 years	96,921	114,064
After 5 years	36,408	41,609
	<u>649,272</u>	<u>650,665</u>

The Group has undrawn borrowing facilities of approximately NTD258,240,000 (31 December 2022: approximately NTD268,772,000).

14 SHARE CAPITAL

	Number of Shares (unaudited)	Share capital <i>NTD'000</i> (unaudited)
Authorised Ordinary shares of HK\$0.01 each in the share capital of the Company	2,000,000,000	77,630
As at 31 December 2022, 1 January 2023 and 30 June 2023	<u>2,000,000,000</u>	<u>77,630</u>
	Number of Shares (unaudited)	Share capital <i>NTD'000</i> (unaudited)
Issued and fully paid	1,000,000,000	38,815
As at 31 December 2022, 1 January 2023 and 30 June 2023	<u>1,000,000,000</u>	<u>38,815</u>

15 DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

16 COMMITMENTS

Non-cancellable short-term leases

The Group leases properties and office equipment under non-cancellable short-term lease agreement. The agreements do not include an extension option.

The future aggregate minimum lease payments under non-cancellable short-term leases are as follows:

	At 30 June 2023 <i>NTD'000</i>	At 31 December 2022 <i>NTD'000</i>
Within 1 year	<u>1,818</u>	<u>2,151</u>

17 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

The Group carried out the following transactions with its related parties during the period:

Key management personnel compensation

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	<i>NTD'000</i>	<i>NTD'000</i>	<i>NTD'000</i>	<i>NTD'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term employee benefits				
— salaries, allowances and benefits in kind	6,458	5,195	11,655	11,926
Post-employment benefits				
— defined contribution retirement plans	85	82	168	207
	<u>6,543</u>	<u>5,277</u>	<u>11,823</u>	<u>12,133</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2023, the global semiconductor industry is facing a complicated operating environment affected by weak end market demand, continuous inventory adjustment, and the ongoing US-China Tech War. It denotes the start of a downward industrial cycle for the semiconductor market. According to the latest forecast report released by the World Semiconductor Trade Statistics (WSTS), due to the weak demand from smartphones and personal computers, the two major semiconductor downstream sectors, the demand for memory has decreased significantly and the demand for logic has shrunk. Therefore, the global semiconductor sales forecast for 2023 is significantly revised downwards to USD515.095 billion, representing a decrease of 10.3% as compared to 2022, which is the first contraction since 2019 and the most significant decline in four years. However, WSTS also points out that the demand in artificial intelligence (AI), industry, automotive electronics and other fields remains strong, which can make up for the weak demand for semiconductors in the consumer field. WSTS forecasts that global semiconductor sales will increase by 11.8% year-on-year to USD575.997 billion in 2024, surpassing the USD574.084 billion recorded in 2022 and hitting a record high. According to the forecast of International Data Corporation (IDC), the global output of smartphones in 2023 will be 1.17 billion units, representing a decrease of 3.2%. However, IDC also expects that the global smartphone market will recover in 2024 and achieve a positive growth of 6%. The global smartphone output will continue to grow from 2025 to 2027, reaching nearly 1.4 billion in 2027. According to the latest statistics recently released by Gartner, total global personal computer output in the second quarter of 2023 is 59.7 million units, representing a year-on-year decrease of 16.6%. After seven consecutive quarters of year-on-year decline, global personal computer output has shown signs of initial stability, as the decline has slowed down and the downward cycle may bottom out. The overall personal computer market is likely to resume positive growth in 2024. According to the recent data released by the Semiconductor Industry Association (SIA), total global semiconductor sales in May 2023 amounted to USD40.7 billion, representing an increase of 1.7% as compared to USD40 billion in April 2023. Despite a year-on-year decrease of 21.1% as compared to that in 2022, global semiconductor sales experienced a slight month-on-month increase for the third consecutive month in May. The semiconductor market is expected to rebound in the second half of this year. According to the statistics from the Development Institution of Industry, Technology and International Strategy of the Industrial Technology Research Institute* (工研院產科國際所) (IEK) in Taiwan, the total production value of the semiconductor industry in Taiwan reached NTD1,008.4 billion in the first quarter of 2023, representing a decrease of 15.8% as compared to the previous quarter and a decrease of 13.0% as compared to the same period in 2022. IEK estimates that the annual production value of the semiconductor industry in Taiwan will reach NTD4,249.6 billion in 2023, representing a decrease of 12.1% as compared to 2022. In response to changes in the market environment, the Group will actively seize development opportunities, and strive to keep up with the research and development of investment products and technological improvement, so as to enhance the core competitiveness of the Group.

BUSINESS REVIEW

The Group is a turnkey solution provider and exporter of used Semiconductor Manufacturer Equipment (SME) and parts in Taiwan, mainly engaging in providing turnkey solutions for used SME and parts for customers and modifying and/or upgrading the semiconductor equipment of its production systems according to customers' needs. In addition, the Group also engages in the trading of SME and parts. For the six months ended 30 June 2023, the total revenue of the Group amounted to approximately NTD749.51 million (Corresponding period in 2022: approximately NTD596.62 million), representing an increase of approximately 25.63% as compared to the corresponding period of last year. Total comprehensive income attributable to owners of the Company amounted to approximately NTD76.34 million (Corresponding period in 2022: approximately NTD70.07 million). Basic earnings per share were approximately NTD7.66 cents (Corresponding period in 2022: approximately NTD7.34 cents).

TURNKEY SOLUTIONS

The used SME and parts supplied by the Group include furnaces and clean tracks which are used at the front-end of the semiconductor manufacturing process and wafer fabrication such as deposition, photoresist coating and development. The semiconductors produced by the customers using the SME of the Group were extensively applied to mobile phones, game consoles, DVD players, automotive sensors and other digital electronic products.

For the six months ended 30 June 2023, the revenue from turnkey solutions of the Group amounted to approximately NTD373.37 million (Corresponding period in 2022: approximately NTD233.73 million), representing an increase of approximately 59.74% as compared to the corresponding period of last year, accounting for approximately 49.81% of the Group's total revenue (Corresponding period in 2022: approximately 39.18%).

TRADING OF SME AND PARTS

During the period under review, the Group recorded revenue of approximately NTD376.15 million (Corresponding period in 2022: approximately NTD362.89 million) from the trading of used SME and parts, accounting for approximately 50.19% of the total revenue of the Group (Corresponding period in 2022: approximately 60.82%).

FINANCIAL REVIEW

For the six months ended 30 June 2023, the total revenue of the Group amounted to approximately NTD749.51 million (Corresponding period in 2022: approximately NTD596.62 million), representing an increase of approximately 25.63% as compared to the corresponding period of last year. During the period under review, the Group recorded revenue from turnkey solutions of approximately NTD373.37 million (corresponding period in 2022: approximately NTD233.73 million), representing an increase of approximately 59.74% as compared to the corresponding period of last year; and the Group recorded revenue from the trading of used semiconductor parts of approximately NTD376.15 million (corresponding period in 2022: approximately NTD362.89 million), representing an increase of approximately 3.65% as compared to the corresponding period of last year.

For the six months ended 30 June 2023, revenue from the domestic business in Taiwan accounted for approximately 65.74% of the Group's total revenue (Corresponding period in 2022: approximately 74.94%).

Moving into the second half of 2022, the semiconductor industry encountered a periodic change and each of the midstream and downstream enterprise strictly controlled capital expenditures. The turnkey solution of used SME and parts business of the Group is modified and/or updated by flexible assembly forms and according to customers' technical requirements and specification and attracts customers' adoption by its advantage of competitive prices. As a result, the Group's revenue from turnkey solution and trading of used SME and parts increased during the period under review.

During the period under review, the gross profit of the Group amounted to approximately NTD209.61 million (Corresponding period in 2022: approximately NTD194.82 million), while the gross profit margin was approximately 27.97% (Corresponding period in 2022: approximately 32.65%).

For the six months ended 30 June 2023, total comprehensive income attributable to owners of the Company amounted to approximately NTD76.34 million (Corresponding period in 2022: approximately NTD70.07 million), while basic earnings per share amounted to approximately NTD7.66 cents (Corresponding period in 2022: approximately NTD7.34 cents).

OUTLOOK

In general, there is a differentiation in the consumer and industry, automotive electronics fields of the global semiconductor market. The growth in sectors including telecommunications, consumer electronics and data centers will slow down in the coming years due to the weak demand in the consumer sector caused by inflation and rising interest rates. Benefiting from the booming emerging industries such as new energy vehicles, autonomous vehicles (the “**ADAS**”) industry, high performance computing (the “**HPC**”), cloud infrastructure investment, industrial automation, artificial intelligence (the “**AI**”), Internet of Things (as known as “**IoT**”), metaverse and wearable devices, there will be a strong demand, driving a strong growth in automotive semiconductors and industrial semiconductors. The release of ChatGPT, an AI-powered chatbot, is regarded as a groundbreaking product in the field of artificial intelligence generated content (as known as “**AIGC**”) which has become the fastest growing consumer application in history, and is expected to drive the development of HPC, cloud computing, high performance GPU and other fields. According to the forecast published by TrendForce, a research institution, with the anticipated increase in the demand of AI servers and AI chips, it is expected that the output volume of AI servers will be close to 1.2 million in 2023, representing a year-on-year increase of 38.4% and accounting for nearly 9% of the overall server output volume, and will further increase to 15% by 2026. Meanwhile, TrendForce has also revised upwards the compound annual growth rate (the “**CAGR**”) of AI server output during 2022 to 2026 to 22% and AI chip output is expected to grow by 46% in 2023. With increasing number of vehicles adopting autonomous driving and driver assistance systems, as well as integrating with vehicle infotainment, these systems will provide services such as navigation systems, Wi-Fi, smartphone integration, voice orders, audio and video, which will greatly increase the content of automotive semiconductors, making automotive semiconductors the fastest growing sector in the semiconductor market. According to the forecast of Auto TechInsight in early 2023, the average semiconductor content per vehicle will increase by 80% over the next seven years, from USD854 in 2022 to USD1,542 in 2029. According to the forecast of Gartner, the CAGR of automotive semiconductor production value will reach 13.8% from 2021 to 2026, which indicates that automotive semiconductors will be the main growth driver of the global semiconductor market in the future. According to the latest “Mid-2023 Semiconductor Equipment Forecast Report” issued by the Semiconductor Equipment and Materials International (SEMI), it is estimated that global sales of SME by OEMs in 2023 will decrease from the record-breaking USD107.4 billion in 2022 to USD87.4 billion, representing a decrease of 18.6%. A strong rebound to USD100 billion is expected in 2024. According to the latest forecast of Semiconductor Intelligence, the semiconductor capital expenditure (CapEx) will decrease by 14% in 2023, and the storage industry will shrink the most by 19%. In contrast to other sectors of the semiconductor market, the automotive semiconductor market is expected to grow by 14% in 2023.

On the other hand, AI will be a key area of the US-China Tech War. In addition to the export control on high end chips, the US-China Tech War is once again foreshadowed by the recent expansion of the United State's control over China's AI chips. The prosperity and competition of the global semiconductor industry will remain in a state of change and complexity. The Group will pay close attention to the changes in the market environment, respond to market changes in a prudent and prompt manner to seize development opportunities, and actively explore market development opportunities. The Group will also strengthen its innovation and R&D capabilities, enhance its core competitiveness, and create long-term shareholder value.

LIQUIDITY AND CAPITAL RESOURCES

The Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings for the six months ended 30 June 2023. The Group's primary use of cash has been, and is expected to continue to be, satisfying its working capital needs.

As at 30 June 2023, the borrowings of the Group totaled approximately NTD649.27 million (31 December 2022: approximately NTD650.67 million). As at 30 June 2023, the gearing ratio of the Group, as calculated by dividing the Group's net debt by the Group's total equity, was approximately 68.85% (31 December 2022: approximately 57.68%).

CHARGE ON ASSETS

As at 30 June 2023, certain land and buildings of the Group were pledged to secure the Group's long-term and short-term bank borrowings, with the carrying amount of approximately NTD260 million (31 December 2022: approximately NTD262.60 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The business operations of the Group's subsidiaries were mainly conducted in Taiwan with most of the transactions settled in NTD and United States Dollar. As at the date of this announcement, the board of Directors (the "**Board**") considers that foreign currencies (mainly the United States dollar) were received/paid when the Group earned revenue from overseas customers and when it settled purchases of machinery, equipment and parts from overseas suppliers. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

During the period under review, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant capital commitment (31 December 2022: Nil) and significant contingent liability (31 December 2022: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND CAPITAL ASSETS

The Group did not have any significant investments and disposals of subsidiaries and capital assets during the period.

HUMAN RESOURCES

As at 30 June 2023, the Group employed approximately 269 employees. All our staff are full-time employees and reside in Taiwan and the PRC.

Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are also provided to the employees as well.

DIVIDEND

The Board does not recommend payment of dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares:

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Mr. Yang Ming-Hsiang ("Mr. Yang")	Beneficial owner	37,975,000	3.80%
	Interest in persons acting in concert (<i>Note</i>)	<u>664,075,000</u>	<u>66.41%</u>
		<u>702,050,000</u>	<u>70.21%</u>
Ms. Wei Hung-Li ("Ms. Wei")	Beneficial owner	29,125,000	2.91%
	Interest in persons acting in concert (<i>Note</i>)	<u>672,925,000</u>	<u>67.30%</u>
		<u>702,050,000</u>	<u>70.21%</u>

Note: Pursuant to the concert party agreement dated 22 August 2016 (the "**Concert Party Agreement**") entered into by Mr. Yang, Tai-Yi Investment Co. Ltd., Ms. Wei, Mr. Lin Yen-Po (former director) and Mr. Fan Chiang-Shen (former director), a group of controlling shareholders (as defined under the GEM Listing Rules) (the "**Controlling Shareholders**") of the Company (the "**Concert Parties**"), the Concert Parties have agreed with certain arrangements pertaining to their shareholding. The interests in these Shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties' control.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 30 June 2023, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares:

Name of substantial shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of total number of Shares
Queenbest Development Limited ("Queenbest") (Note 1)	Beneficial interest	374,625,000	37.46%
Ever Wealth Holdings Limited ("Ever Wealth") (Note 2)	Beneficial interest	81,150,000	8.11%
Planeta Investments Limited ("Planeta") (Note 3)	Beneficial interest	63,750,000	6.38%
Tai-Yi Investment Co. Ltd. ("Tai Yi") (Note 4)	Beneficial interest	111,300,000	11.13%
	Interest in persons acting in concert (Note 5)	590,750,000	59.08%
		<u>702,050,000</u>	<u>70.21%</u>
Mr. Fan Chiang-Shen ("Mr. Fan") (Note 5)	Beneficial owner	2,925,000	0.30%
	Interest in persons acting in concert (Note 5)	699,125,000	69.91%
		<u>702,050,000</u>	<u>70.21%</u>
Mr. Lin Yen-Po ("Mr. Lin") (Note 5)	Beneficial owner	1,200,000	0.12%
	Interest in persons acting in concert (Note 5)	700,850,000	70.09%
		<u>702,050,000</u>	<u>70.21%</u>

Notes:

- (1) Queenbest is a company incorporated in the British Virgin Islands (the “**BVI**”). As at the date of this announcement, it was held by 30 individual shareholders and Mr. Yang was interested in approximately 27.6%, Ms. Wei was interested in approximately 10.2%, Mr. Lin (former director) and Mr. Fan (former director), were interested in approximately 5.1% and approximately 10.7% of its shareholding respectively. The other shareholders were mainly employees and ex-employees of Genes Tech Co., Ltd. (“**Genes Tech**”, an indirect wholly-owned subsidiary of the Company) who were independent third parties (as defined under the GEM Listing Rules) (“**Independent Third Parties**”) and each held interests ranging from approximately 0.01% to 8.44%.
- (2) Ever Wealth is a company incorporated in the Republic of Seychelles. As at the date of this announcement, it was held by 9 individual shareholders and Mr. Yang was interested in approximately 28.0%, Ms. Wei was interested in approximately 4.8% and former Director Mr. Lin was interested in approximately 20.7% of its shareholding. The other shareholders consisted of employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 1.0% to 15.0%.
- (3) Planeta is a company incorporated in Anguilla. As at the date of this announcement, it was held by 10 individual shareholders and Mr. Yang was interested in approximately 28.5%, Ms. Wei was interested in approximately 4.3%, Mr. Lin (former director) and Mr. Fan (former director) were interested in approximately 17.8% and approximately 10.7% of its shareholding respectively. The other shareholders were mainly employees and ex-employees of Genes Tech who were Independent Third Parties and each held interests ranging from approximately 0.7% to 26.7%.
- (4) Tai Yi is a company incorporated in Taiwan. As at the date of this announcement, it was held by 4 individual shareholders and none of them controlled Tai Yi. Tai Yi is a party to the Concert Party Agreement.
- (5) Pursuant to the Concert Party Agreement, the Concert Parties have agreed with certain arrangements pertaining to their shareholding. Mr. Yang, Tai Yi, Ms. Wei, Mr. Lin (former director) and Mr. Fan (former director) are a group of Controlling Shareholders. The interests in these shares include the interests of the Concert Parties under the Concert Party Agreement and the interests of controlled corporations under the Concert Parties’ control.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as of 30 June 2023 and up to the date of this announcement, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interests in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), as of 30 June 2023 and up to the date of this announcement was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of the SFO).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from 14 July 2017 (“**the Listing Date**”) to 30 June 2023, none of the Directors, the controlling shareholders or any of their respective close associates was a director or shareholder of any business (other than the Group’s business) which, directly or indirectly, was or may be in competition or otherwise had any conflicts of interests with the Group’s business.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the period from the Listing Date to 30 June 2023.

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules in respect of securities transactions by directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from 1 January 2023 to 30 June 2023.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Group has adopted the principles and code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 15 to the GEM Listing Rules. To the best knowledge of the Directors, except for the deviation from provision C.2.1 of the Corporate Governance Code, the Group has no material deviation from the Corporate Governance Code. Provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang is the Chief Executive Officer, and he also performs as the Chairman of the Board as he has considerable experience in the semiconductor industry. The Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Notwithstanding the above, the Board is of the view that this management structure is effective for the Group’s operations, and sufficient checks and balances are in place.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) has been established by the Board on 20 June 2017 with written terms of reference in compliance with the GEM Listing Rules. Members of the Audit Committee comprise Mr. Cheng Chun Shing (Chairman of the Audit Committee), Mr. Kam, Eddie Shing Cheuk and Mr. Ho Pak Chuen Brian, all of them being independent non-executive Directors. The primary duties of the Audit Committee include, but are not limited to, (a) monitoring the integrity of the Company’s financial statements, (b) reviewing the Company’s financial controls, internal control and risk management systems, and (c) reviewing the Group’s financial and accounting policies and practices.

The unaudited condensed consolidated second quarterly results of the Group for the six months ended 30 June 2023 have not been audited.

The Audit Committee has reviewed with the management the unaudited condensed consolidated second quarterly results of the Group for the six months ended 30 June 2023, the second quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee is satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then shareholders of the Company on 20 June 2017 (the “**Share Option Scheme**”). As at 30 June 2023 and up to the date of this interim report, there was no option granted, exercised, lapsed or cancelled under the Share Option Scheme. As of 30 June 2023 and up to the date of this interim report, there was no outstanding share option not yet exercised under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

From 1 January 2023 to 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed shares.

By order of the Board
Yang Ming-Hsiang
Chairman and Chief Executive Officer

Taiwan, 11 August 2023

As at the date of this announcement, the executive Directors are Mr. Yang Ming-Hsiang, Ms. Wei Hung-Li and Mr. Hsiao Hsi-Mao; and the independent non-executive Directors are Mr. Kam, Eddie Shing Cheuk, Mr. Cheng Chun Shing and Mr. Ho Pak Chuen Brian.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkexnews.hk for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.genestech.com.